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Taiwan

Grain and Feed

Update on Rice Tenders for Public Sector Imports 2003

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Report Highlights:

On August 8, Taiwan announced the 6th public rice tender for 11,000 metric tons of medium grain brown and 2,000 metric tons of long grain brown. The tender is scheduled for August 22 for technical bids and August 26 for price bids. U.S. rice captured a 95% share of Taiwan's first five public rice tenders or 39,000 of the total 41,000 tons. The U.S. accounted for all of the medium grain brown rice purchases while Egypt supplied a 2,000-ton tender for short grain rice. The tender process continues to be hampered by the use of a ceiling price in a competitive tendering process. A number of tenders have had to be rebid and, after a delay of two weeks or more, Taiwan has often ended up paying more for the rice than if they had accepted the original low bid.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Taipei [TW1]
[TW]

The upcoming 6th Rice Tender

On August 8, Taiwan announced the 6th public tender for 11,000 metric tons of medium grain brown and 2,000 metric tons of long grain brown rice. The tender is scheduled for August 22 for technical bids and August 26 for price bids. This is the first tender for long grain. The quality specifications for long grain are listed below.

Type: Long grain brown rice

- Length: from 6.61 mm to 7.50 mm with length/width ration equal or greater than 3.1
- Amylose content: from 10% to 20% at 14% moisture

Quality Specifications:

| Maximum Limit | | | | | | | | | |
|---------------|------------|----------------|-----------------|------------|----------|---|------------------|----------------|-------|
| Moisture | Impurities | Broken kernels | Damaged kernels | | | Immature Kernels (including Rice Screening) | Off-type kernels | Chalky kernels | Paddy |
| | | | Total | Discolored | Sprouted | | | | |
| 14.5% | 0.3% | 6% | 3% | 0.3% | 0.4% | 10% | 3% | 5% | 0.4% |

Results of the First Five Tenders in 2003

To date, Taiwan has tendered and contracted for 41,000 metric tons of the public rice quota, accounting for 44% of the total. The remaining 56% will be scheduled in August and September. The U.S. rice accounted for 39,000 tons or a 95% share of the first five rice tenders, all for medium grain brown. Egypt supplied 2,000 mt of short grain brown. The following table shows results and schedules for the 2003 public rice tenders.

TABLE 1- Results and Schedules for the 2003 Public Rice Tenders (brown basis)

| Tender Number | Quantity/Type | Date | Winner by Origin |
|--|---|-----------|------------------|
| 1 st (GF4-920042) | 5,000 mt/medium brown | March 18 | U.S. |
| 2 nd + 3 rd (GF4-920147) (Note: The 2 nd and 3 rd tenders combined) | 14,000 mt/medium brown | May 30 | U.S. |
| 2 nd + 3 rd (GF4-920148) | 2,000 mt/short brown | May 30 | Egypt |
| 4 th (GF4-920185-1) | 10,000 mt/medium brown | July 18 | U.S. |
| 5 th (GF4-920209) | 10,000 mt/medium brown | July 25 | U.S. |
| 6 th (GF4-920241 & GF4-920242) | 11,000 mt medium brown 2,000 mt long grain | August 26 | |
| 7 th | 20,000 mt (two 10,000 mt bids) | September | |
| 8 th | 20,000 mt (two 10,000 mt bids) | September | |
| 2003 Total Quota | 94,068 mt | | |

Note: Beginning with the 4th tender the delivery term was changed to 115 days from 100 days. Starting from the 6th tender, all rice tenders will be specified for the new crop (2003 crop) only. Taiwan authorities at the Council of Agriculture (COA) said that they will follow last year's operation that U.S. suppliers can submit old crop rice samples for the technical bid for the upcoming tenders if new crop rice is not available at the time and deliver new crop rice in actual shipments. All other rice specifications for 2003 rice tenders for medium grain brown rice remain unchanged. Taiwan has conducted small trial tenders for other size grains than medium grain brown.

Ceiling Prices

The current rice tender system has experienced problems because of the ceiling price bidding mechanism. If the bid price exceeds the ceiling price determined by COA, then the tender is rejected. Although COA has flexibility to accept bids up to 8 percent over the ceiling price, Post does not believe that they have done so. The ceiling price is based on available world price information for medium grain brown rice, as well as data indicative of shipping costs. However, available world price information represents past transactions and likely does not accurately reflect the future market situation. Due to reduced supplies, medium grain prices are rising this year and COA has evidently had a difficult time accurately determining a ceiling price as demonstrated in Table 2. Given the competitive bidding process, the use of a ceiling price may actually end up costing COA more to buy rice than if the lowest bid price was accepted. For example, the first time that the second tender was bid, COA received a low bid equivalent to \$396/mt, but COA did not accept this bid. By the time this tender was finally concluded, over a month later, the price had risen to \$421/mt.

TABLE 2- Lowest Bid Prices at the Designated Warehouse Destination for the First Five Tenders

| Tender # | Lowest Bid Price in NT\$/mt | Lowest Bid Price in US\$/mt | Exchange rate to US\$ |
|--|--------------------------------------|-----------------------------|-----------------------|
| On March 18, GF4-920042 was awarded at the first bid. | NT\$13,815.00/mt | US\$397/mt | NT\$34.73 |
| On April 24, GF4-920104 failed at 1 st bid | NT\$13,798.33/mt | US\$396/mt | NT\$34.80 |
| On May 9, GF4-920104-1 failed at the 2 nd bid | NT\$14,313.66/mt | US\$411/mt | NT\$34.78 |
| The prescheduled 2 nd & 3 rd tender were lumped together for 14 tmt of medium grain (MG), GF4-920147, and 2 tmt of short grain (SG), GF4-920148. On May 30, GF4-920147 & GF4-920148 were awarded at the first bid. | MG-NT\$14,633/mt SG-NT\$13,595/mt | MG-\$421/mt SG-\$392/mt | NT\$34.7 |
| On July 3, GF4-920185 failed at the 1 st bid. | NT\$ 15,385/mt | \$445/mt | NT\$34.54 |
| On July 18, GF4-920185-1 was awarded at the second bid. | NT\$15,510/mt | \$450/mt | NT\$34.42 |
| On July 25, GF4-920-209 was awarded at the first bid. | NT\$15,801/mt | \$459/mt | NT\$34.42 |

Note: The rice tender document number has a format for the year 2003 as GF4-92xxxx. For re-tender document, the document number will attach a dash with additional one digital, GF4-92xxxx-x. For example, GF4-920185-1 stands for the first time re-tendering of the 4th tender. If the 4th tender failed twice, the tender document number for the second time re-tendering of the 4th tender will be GF4-920185-2.